NOTE

This Microfiche meets the quality requirements of the American National Standard for Microfiche of Documents (ANSI PH5.9-1975). However, because of imperfections in the document from which it was made, it contains images that are illegible or difficult to read. The source document for this microfiche is the best copy that could be obtained prior to filming.

Congressional Information Service, Inc
Washington, D.C.

NOMINATION OF KALO A. HINEMAN, OF KANSAS, TO BE A COMMISSIONER OF THE COMMODITY FUTURES TRADING COMMISSION

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

DECEMBER 15, 1981

Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry

U.S. GOVERNMENT PRINTING OFFICE
88-984 O WASHINGTON: 1982

5161-8

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

JESSE HELMS, North Carolina, *Chairman*

BOB DOLE, Kansas	WALTER D. HUDDLESTON, Kentucky
S. I. HAYAKAWA, California	PATRICK J. LEAHY, Vermont
RICHARD G. LUGAR, Indiana	EDWARD ZORINSKY, Nebraska
THAD COCHRAN, Mississippi	JOHN MELCHER, Montana
RUDY BOSCHWITZ, Minnesota	DAVID H. PRYOR, Arkansas
ROGER W. JEPSEN, Iowa	DAVID L. BOREN, Oklahoma
PAULA HAWKINS, Florida	ALAN J. DIXON, Illinois
MARK ANDREWS, North Dakota	HOWELL HEFLIN, Alabama

GEORGE S. DUNLOP, *Chief of Staff*
J. ROBERT FRANKS, *General Counsel*
CARL P. ROSE, *Counsel and Staff Director for the Minority*

CONTENTS

	Page
Cochran, Hon. Thad, a U.S. Senator from Mississippi, opening statement	1
Kassebaum, Hon. Nancy, a U.S. Senator from Kansas	1
Hineman, Kalo A., Commissioner-designate, Commodity Futures Trading Commission	3

APPENDIX

Dole, Hon. Bob, a U.S. Senator from Kansas, statement	15
Swan, J. W., president, National Cattlemen's Association, Denver, Colo., letter dated December 14, 1981, to Senator Helms	15
Résumé of Mr. Hineman and letters exchanged between Office of Government Ethics, Commodity Futures Trading Commission, and Mr. Hineman	16

NOMINATION OF KALO A. HINEMAN, OF KANSAS, TO BE A COMMISSIONER OF THE COMMODITY FUTURES TRADING COMMISSION

TUESDAY, DECEMBER 15, 1981

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C.

The committee met, pursuant to notice, at 9:30 a.m., in room 324, Russell Senate Office Building, Hon. Thad Cochran, presiding.

Present: Senators Helms, Hayakawa, Cochran, and Lugar.

STATEMENT OF HON. THAD COCHRAN, A U.S. SENATOR FROM MISSISSIPPI

Senator COCHRAN. The committee will come to order. The committee meets today to consider the nomination of Kalo A. Hineman to be a Commissioner of the Commodity Futures Trading Commission. The committee is delighted to have with us today Senator Nancy Kassebaum from the State of Kansas who will present the nominee to the committee. Welcome, Nancy.

STATEMENT OF HON. NANCY LANDON KASSEBAUM, A U.S. SENATOR FROM KANSAS

Senator KASSEBAUM. Thank you, Mr. Chairman. It is indeed a great pleasure for me to be able to be here today because the senior Senator from Kansas has to be chairing a Finance Committee meeting, so in the absence of his not being here, and he has, I believe statements for the record, I have the great pleasure of taking a brief part in this hearing and commenting on Mr. Kalo Hineman who is so highly thought of by many Kansans. He wears many hats. He graduated as doctor of veterinary medicine from Kansas State University, 1943. He is a member of the Kansas Legislature and the house of representatives, but more important, I believe, is in his nomination is the viable role that he would be filling in the Commodity Futures Trading Commission through his direct involvement in and knowing production agriculture.

This is, I think, vital to the CFTC at this point. Mr. Hineman has been farming and ranching for 34 years and is currently in a 5,000-acre farming partnership with his son. He is a stockholder in a 24,000-head feedlot and cattle feed company in his home county.

His involvement in agriculture includes serving as the director of the First National Bank of Dighton, Kans., since 1955. He's the

past president of the Kansas Livestock Association and served on the board of directors of the National Cattlemen's Association. Mr. Hineman has been a member of the Kansas Legislature since 1974, serving on the assessment and taxation, education, and government organization committees.

In an age when we continually hear that farming is no longer a simple way of life, but a complex business of production, marketing, and financial planning, I feel that the appointment of Mr. Hineman to the CFTC would serve the best interests and needs of our agricultural sector and add a needed balance to the Commission.

I know that he is willing and ready to apply his knowledge, experience, and energies to the challenges of serving as the Commissioner. It is with a great deal of enthusiasm and pride that I am here today to speak on behalf of Mr. Hineman and know that he will bring a dimension of great importance to the CFTC. Thank you, Mr. Chairman.

Senator COCHRAN. Thank you, Senator. Mr. Hineman, I know you realize this, but you have a tremendous asset here in Washington in Senator Kassebaum and Senator Bob Dole. I know of no State that has finer representation in the U.S. Senate. It is always a pleasure to be in a hearing or a meeting with Senator Kassebaum and her recommendation of you carries a lot of weight. And it is a pleasure to have those statements received by the committee from Senator Kassebaum. Thank you very much.

Senator KASSEBAUM. Thank you, Mr. Chairman.

The CHAIRMAN. I might add that Miss Nancy and I are both on the Foreign Relations Committee, and we both had to slip out.

Senator COCHRAN. I might add, Mr. Hineman, that Senator Dole regrets that he cannot personally be here at your hearing. He is, as you know, chairman of the Finance Committee, and they have business before that committee at this point. He has asked me to convey to you his regrets and to include in the record his statement in support of your nomination.

Without objection, the statement of Senator Dole will appear in the record.[1]

Chairman Helms, do you have any statement to make, or would you like to first ask questions?

The CHAIRMAN. I appreciate your willingness to chair this meeting today. I came over largely to pay my respects to the nominee. Maybe he has a statement?

Senator COCHRAN. He does, however, before that, I would like to introduce Mrs. Hineman to the committee and ask her to please stand. We are very happy to have her with us today.

The CHAIRMAN. Mrs. Hineman, come up here and sit by me. If we don't give him the third degree now, he will never get it.

Senator COCHRAN. Mr. Hineman, if you have a statement we will certainly be happy to receive that. Please feel free to make any comments that you would care to at this point to the committee.[2]

---

[1] See p. 15 for the prepared statement of Senator Dole.

[2] See pp. 16-19 for a résumé and letters exchanged between the Office of Government Ethics, Commodity Futures Trading Commission, and Mr. Hineman.

STATEMENT OF KALO A. HINEMAN, COMMISSIONER-DESIGNATE, COMMODITY FUTURES TRADING COMMISSION

Mr. HINEMAN. Thank you, Mr. Chairman. I am most appreciative of the two Senators that we have from the State of Kansas, and I share your views totally and enthusiastically. We are blessed to have Senator Dole and Senator Nancy Kassebaum. We know that.

I do have a statement, I first thought that I would not make a prepared statement, but I feel so strongly about a lot of these points that I thought I would go ahead with the prepared statement, and then it will be a matter of record. I think by doing this, probably I can explain a lot of the things that I feel very deeply about as I am being considered for this position.

If confirmed by the Senate, my wish is that my tour of duty as a CFTC Commissioner will be paralleled by a substantial increase in the level of public understanding and of justifiable confidence in futures trading and futures trading markets. I am particularly desirous that this be true for agricultural producers and their bankers.

It is my view that regulation should be orderly, and that it should have a high degree of predictability. We must guard against overregulation to the extent that it distorts the economic indicators.

Futures contracts should continually be analyzed to determine if they meet the test of economic purpose, and also to determine if they are contrary to the public interest. Are they used more than occasionally, and are they useful in price setting? Are the markets for each futures contract openly competitive? Do these contract tradings serve a useful purpose in price discovery, and do they truly reflect market conditions, or do they grossly overreact?

Does futures trading provide an avenue of reliable risk management for producers as well as for processors and other entities in the supply line to the consumer? Are the procedures of trading and of contract delivery consistent with sound and reasonable practices for that industry, that business, or that segment of agriculture? Do the delivery procedures tend to distort prices at futures contract delivery time?

These are some of the important guideline questions for the CFTC in my judgment. I wish to thank you, Mr. Chairman and the committee, for your consideration of my appointment, and for the courtesies extended to me by you and by your very able staff. I would welcome the challenge that goes with this appointment.

Senator COCHRAN. Thank you very much for the fine statement, Mr. Hineman. Senator Helms?

The CHAIRMAN. Thank you, Mr. Chairman. As I believe I've indicated earlier, I met with Mr. Hineman. Also, I have been lobbied by Bob Dole and Nancy Kassebaum, and as Senator Cochran has said, when you have those two in your support, how can you lose?

We welcome you here today, and I suppose, Mr. Chairman, you already covered the routine questions.

Senator COCHRAN. I haven't, but I will.

The CHAIRMAN. Fine. I would have one question. In reviewing your request letter for Commission clearance with regard to your farming and cattle operation, I note that your son is assuming the primary management of these operations, and that you, obviously,

will be consulting with him from time to time on the management of them. For the record, let me ask these two questions. Will this consulting role interfere with your duties as CFTC Commissioner?

Mr. HINEMAN. Senator, it will not interfere with my duties. I will make sure that it does not, and I understand it, and am supportive of the delicate nature, and the reasons why this must be a very carefully guarded thing.

The things that I will be talking to my son about will be the normal, routine operational things of the farm. It will have nothing to do with selling, with price, timing of sales, or that type of thing. And that is, I think, what any agricultural producer sitting in this role must be cognizant of at all times.

The CHAIRMAN. How old is your son?

Mr. HINEMAN. My son is 34.

The CHAIRMAN. Just a lad. I assume that he can manage these interests really, without any close supervision by you?

Mr. HINEMAN. That's correct, Senator. The last 7 years being in the Kansas Legislature has taken more and more of my time. Therefore, it has been a gradual transition period, and from the standpoint of being prepared for this job was totally desirable.

The CHAIRMAN. A final question. Are you willing to comply with the recommendation made by the Office of Government Ethics with regard to the arrangement of your business affairs while serving as a Commissioner?

Mr. HINEMAN. Yes, sir.

The CHAIRMAN. I thought it important to have your comment in that regard in the record. I want to say, again, Mr. Chairman, that I believe this gentleman is going to provide excellent service, and no doubt at some sacrifice to yourself and to Mrs. Hineman. But we welcome you here today, and I do wish you well.

And I will say further that I will try to get a special session of the committee so we can get a quorum so we can report this nomination to the floor and hopefully we can get it through the Senate before we leave here.

Mr. HINEMAN. Thank you, sir.

The CHAIRMAN. And now, if you will forgive me, I will go back to the Foreign Relations Committee. Nice to be with you.

Senator COCHRAN. Thank you very much. Senator Hayakawa, do you have questions you would like to ask of the nominee?

Senator HAYAKAWA. Yes. Thank you, Mr. Chairman. Glad to see you again, Mr. Hineman. We are all glad that a producer is going to become a Commissioner of CFTC. We need a producer there. I do not believe we have any now, at least until you are confirmed. I understand that very few farmers participate in the futures market, and that even fewer are able to successfully use these markets for hedging purposes. Is there anything that can be done that would result in more producers participating in the market as successful hedgers?

Mr. HINEMAN. This is one of the things that has really motivated me to be interested in this position. I see it as one tremendous educational effort not only on the part of the CFTC, but also to encourage on the part of the markets, the futures markets, and I see a role for the extension departments of the universities and land-grant colleges. And it is not only with those producers, but we

must also educate their bankers because if the banker—and this is an all too common situation—that the banker does not know the process very well, and does not have confidence in it, and therefore, he's not willing to be a part, and he must be a part of this if it is to work.

So I think it is a combination of understanding and education to the point and making sure that the confidence level is there. It is a big problem. You hit on the big problem in my opinion.

Senator HAYAKAWA. I am glad you mentioned land-grant colleges and extension. I worked at the University of Wisconsin for some years, and in the extension department. Although I had nothing to do with agriculture extension I knew it existed. And I knew what a valuable function it performed. Certainly, this is an additional function I have never heard of them performing in those days.

Mr. HINEMAN. An additional comment on that. I would like to refer to it this way. We have, in the extension departments, a tremendous role to play. We are superior when it comes to production agriculture. That is the thing we know best, and we have done a fantastic job. We have not done a similar job in our roles of overall financial problems, one of which is risk management, and the role that the futures market might be able to play in that. And it is one that we need very much to pursue.

Senator HAYAKAWA. All right. Besides then using bankers and school of agriculture extensions, do you have any other plans to go directly to the farmer to get him to participate?

Mr. HINEMAN. Now, I do not at this time know the policy and the roles of the Commission as far as Commissioners are concerned in doing this type thing. But they are going to find me totally willing and anxious to do this type of thing.

And I think that the CFTC does have a role to provide their part of the educational effort and whatever it requires of the Commissioners.

Senator HAYAKAWA. Good. Do you feel that the CFTC should permit more or less self-regulation by the various exchanges?

Mr. HINEMAN. Philosophically, self-regulation rates high with me. Those are the people who should be able to have the knowledge to do the best job, and I intend to see that it is pursued. Further, I see the CFTC in a role that the more regulation that can be done and is done well by the industry, the less the CFTC will have to be involved in some of those regulatory roles, however, there are some regulatory roles that the CFTC must perform.

I am not prepared to be specific in this whole area, at this time, until I have had more experience on the CFTC.

Senator HAYAKAWA. Two weeks ago I visited the Chicago Mercantile Exchange, the Chicago Board of Trade, and the Mid-America Commodity Exchange all in the same day. It was a very confusing day. [General laughter.]

All these people yelling at each other and waving around pieces of paper and gesturing like this and gesturing like that. I had no idea what was going on. But the point that was made there frequently by my guides is something I knew already: That only a small percentage of futures trading actually leads to delivery of a commodity for a contract. That contract may, and usually does, change hands, or is liquidated before delivery date. The actual

transfer of commodities is generally done on the cash market. Now, this is a question that occurs to me in the light of this other question.

If more farmers were participating in the futures market, would not a larger number of futures transactions lead to the actual delivery of commodities because they are dealing with their own commodities; are they not?

Mr. HINEMAN. I do not think that the assumption can be made that it necessarily would increase the number of deliveries. I do not philosophically think that a lot of people view the futures markets that their role being one that they are primarily designed for the actual delivery of the commodity but rather to seek the price level.

And there are some physical problems involved with deliveries, especially with live cattle and with the feeder cattle particularly, we must prevent the overproliferation of delivery. So I do not think that it necessarily means we would have more actual deliveries even though we have more transactions.

I tend to hope that that would be the truth. I am not sure that it was ever really intended to be used for delivery to that extent.

Senator HAYAKAWA. But let us say that you are a sausage manufacturer, and you purchase at a futures price, that is satisfactory to you, 100 live hogs. At some point in time, you want those hogs as hogs, not as pieces of paper.

Mr. HINEMAN. But maybe you're not close to a delivery point, and maybe you want to sell the paper hogs and buy the real product closer to where you are and achieve the same result—less all that unnecessary freight and transfer.

Senator HAYAKAWA. So you get this hog, these hogs from the cash market?

Mr. HINEMAN. You close out your account in the futures and take your—let us say that you have a profit coming, and you take your profit and then you buy the live hogs wherever they are closest, wherever they fit your establishment best, but in doing so, you have hedged the buying of those hogs.

But in that instance, you probably never intended to really take delivery, but rather to hedge yourself right up to the time that you actually do buy the hogs themselves. Do I make myself clear?

Senator HAYAKAWA. Somewhat. All right. I'm a sausage manufacturer. I want hogs, and I want them at such and such a price next October, and now it is October and it is time to manufacture those sausages for the Thanksgiving trade.

Mr. HINEMAN. Let us say that you bought those hogs now because you liked the price that the October hogs were trading at. So you buy your hogs now. Then, come October, let us say that you are 1,000 miles away from the delivery point, and yet you have producers close to where you are, and you want to buy the hogs locally. You do not want all that freight or having to go to that delivery point to pick them up.

You close your transaction on the futures market. Let us say the hogs are cheaper at that time. You pick up your profit.

Senator HAYAKAWA. When you buy these hogs, then, on paper, you buy them in the abstract in——

Mr. HINEMAN. Correct.

Senator HAYAKAWA. Ithaca, N.Y., or Missoula, Mont., while you yourself, let's say, live in Madison, Wis.

Mr. HINEMAN. I am not an expert in this particular facet of the trading market, but I think, in essence, you are getting close to the reality of it. It is a method really for you to lock in that price. You may or may not want to actually take delivery even though you want the hogs because you may be so far away from it that the freight and shrink on the live animals involved is just not realistic.

Senator HAYAKAWA. Why would you buy, let's say, 100 hogs in Ithaca, N.Y., if that is not where you want delivery?

Mr. HINEMAN. I am not sure where the delivery points are on hogs. I know more about the delivery points on cattle. But let's talk about the cattle, for instance.

There is a delivery point for fat cattle in Omaha. There is one in Sioux City.

Senator HAYAKAWA. Right.

Mr. HINEMAN. There is one in Peoria, Ill. Let us say that you are a packer, and you want to secure fat cattle at a given price, and you like the price that is quoted toda[illegible]n cattle to be delivered at a given month next fall. And you buy those cattle at the delivery point, if you went ahead and took delivery, the delivery point would be specified, and it would be one of those three points.

Let us say that your packinghouse is in Dodge City, Kans. And you do not want the unnecessary freight and shrink of hauling those fat cattle from Omaha to Dodge City, Kans., so you close out your futures contract, pick up your profit, if it is a profit at that time, and you actully buy the fat cattle in Dodge City, Kans., right close to the packinghouse.

Senator HAYAKAWA. OK. I think I have it and understand.

Mr. HINEMAN. I hope I told it right. It is confusing.

Senator HAYAKAWA. Something that always confused me about the whole futures market are the gentlemen who never got their hands dirty with wheat or hogs or pork, and made a fine living for themselves. It is strictly a white-collar job.

Mr. HINEMAN. I think our little dialog points out, in my opinion, partly, some of the problems that producers do have in trying to use the futures market.

Senator HAYAKAWA. Yes.

Mr. HINEMAN. Like it needs to be used, and the educational effort needs to really go forward.

Senator HAYAKAWA. You feel then that the CFTC needs to perform more of an educational function?

Mr. HINEMAN. Yes, sir.

Senator HAYAKAWA. So the public better understands what it does because the general public is—well, too few people have the vaguest notion of what goes on except that people make money and lose money with it without touching an egg or a hog belly or even seeing what it looks like.

Mr. HINEMAN. That is very true.

Senator HAYAKAWA. And it seems to me an extraordinarily metaphysical occupation. And do you as a Commissioner tend to make it less metaphysical?

Mr. HINEMAN. We would hope so.

Senator HAYAKAWA. Thank you, sir.

Senator COCHRAN. Thank you, Senator. There is the suspicion out in the world of producers in my part of the county that sometimes the futures market is manipulated or used by traders, exporters, brokers or some other sometimes unidentifiable source to the detriment of the farmer. That what happens after we see a series of trades is that the farmer's interest is not really served, but only those interests of the traders, the so-called middleman, the exporters, and that the farmers end up being hurt or harmed in some fashion by even having a futures market.

What is your observation about that kind of suspicion or distrust of the trading system that we have?

Mr. HINEMAN. I hear that exact same concern expressed by producers in my county many, many times. You know it would be easy to say, well, they are just concerned because this time the market is going down, and they are more suspicious, and you hear it more on down markets than you do on up markets, in other words, during periods when agriculture is not doing so well financially.

But again, it is, in my opinion, a matter of understanding, and it is a matter for the regulatory persons and myself as a Commissioner would be very much aware of this to make sure that those contracts are viable, that there is sufficient volume, and that it is allowed to work to properly reflect the true economic indicators of supply and demand, and that there is not a squeeze play by a few people, and so forth.

I think that is one of the major roles that an agricultural producer can maybe address to help to restore confidence, to make sure that it is OK, and then once it is, to make sure that confidence level is retained.

Senator COCHRAN. I think that is the reason why those of us who signed a letter to the President recommended very strongly that his nomination be of a farmer-producer for membership on the CFTC. I think there is a very important role, many of us do, for a person with your background and experience on that Commission.

I think you have articulated very well why that is true, and the role you can play in helping assure farmers throughout the country that this Commission is going to conduct its oversight functions in a way that protects the interests of our farmers and the opportunities that they have to get a fair market price for the products and commodities that they are producing.

In connection with the question Senator Helms asked about your situation of being involved, to some extent, even peripherally, with a farming operation, the staff——

Senator HAYAKAWA. Excuse me. I am needed over at Foreign Relations to worry about Poland or something.

Senator COCHRAN. Thank you for coming back and participating in the hearing.

Senator HAYAKAWA. Thank you, Mr. Chairman.

Senator COCHRAN. In connection with that question, the staff has handed me a copy of a letter that Senator Helms received from the Office of the General Counsel at the Commodity Futures Trading Commission. I understand you have a copy of it dealing with that general subject area.

It probably is appropriate that we put a copy of that letter in the record at this point. So, without objection, a copy of the letter will be included.

[The letter referred to follows:]

COMMODITY FUTURES TRADING COMMISSION,
Washington, D.C., December 14, 1981.

Hon. JESSE HELMS,
Chairman, Senate Agriculture, Nutrition, and Forestry Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: This is to advise you with respect to the practice of this Office and the Commission concerning clearances for farming and ranching operations of Commission members and employees pursuant to Section 9(d) of the Commodity Exchange Act, 7 U.S.C. § 13(d), and Section 140.735-4(b)(2), footnote 3 of the Commission's Code of Conduct, 17 CFR § 140.735-4(b)(2), fn. 3. Those provisions provide that any Commission member or employee who has a farming or ranching operation with respect to which he engages in transactions in agricultural commodities or livestock notify the Commission and request Commission clearance therefor.

This Office and the Commission have always construed the notification and clearance request requirements to run to the entire farming or ranching operation of a Commission member or employee. Thus, a request letter with respect to an official's farm or ranch which details the nature and amount of agricultural commodities or livestock grown thereon is required to be presented to the Commission. We have never interpreted those provisions to require that a Commission member or employee give notice and request clearance for each and every transaction entered into with respect to his farm or ranch. The wording of Section 9(d) of the Commodity Exchange Act fully supports this interpretation, since it speaks of an exception from the normal bar on investment transactions in actual commodities with respect to such transactions entered into "for use in [the member's or employee's] own farming or ranching operations." Thus, in our view, the Congress clearly contemplated the notification and clearance procedure which has evolved at the Commission based on the farming or ranching operation itself, rather than on every single agricultural commodity or livestock transaction which takes place in the course of such operations.

Furthermore, the farm or ranch approach is the most practicable means of administering Section 9(d) of the Commodity Exchange Act and Section 140.735-4(b)(2), fn. 3 of the Commission's Code of Conduct. Notification and Commission clearance for every investment transaction which takes place with respect to a Commission member's or employee's farm or ranch would require this Office and the Commission to consider numerous notification letters detailing each purchase or sale of an agricultural commodity or livestock, however insignificant, by a Commission member or employee having a farm or ranch. Such continual notifications and clearances throughout the farming and ranching seasons would strain the limited resources of this agency and place an undue, and possibly weekly or even daily, burden on those officials of the Commission who have an interest in a farm or ranch. The present farm or ranch unit procedure of this Office and the Commission, on the other hand, constitutes a balanced approach which fully satisfies the requirements of the Commodity Exchange Act and the Code of Conduct with respect to notification and clearance without the adverse impact that a transaction-by-transaction approach would entail.

I would further note that in Section 2(a)(2)(A) of the Commodity Exchange Act, 7 U.S.C. § 4a(a)(1), Congress recognized the value of having persons knowledgeable with respect to the cash market serve on the Commission by providing: "[i]n nominating persons for appointment [to the Commission], the President shall seek to establish and maintain a balanced Commission, including, but not limited to, . . . persons of demonstrated knowledge in the production, merchandising, processing or distribution of one or more of the commodities or other goods and articles, services, rights and interests covered by this Act."

I believe that to impose a transaction-by-transaction notification and clearance request burden on a farmer or rancher who has been chosen by the President for service on the Commission, subject to Senate confirmation, would cut against that Congressional goal set forth expressly in the Commodity Exchange Act.

I hope that this letter adequately explains the legal and pragmatic basis for the present practice of this Office and the Commission.

Sincerely,

DENNIS A. DUTTERER,
General Counsel.

Senator COCHRAN. As a member of the Commission, you may be confronted at an early date with an issue that has been discussed, and I might say, in very early stages of discussion, and that is how to finance the operations of the Commodity Futures Trading Commission.

There was a hearing earlier this year on the nomination of another member of the Commission.

At that time, I raised the question about what her attitude would be or her thoughts might be about the imposition of a user fee on those who use the futures market: Traders or brokers to supplement the financing of the activities of the CFTC.

The SEC has a similar kind of fee that is imposed, I think, on each contract that is traded. Knowing that the budget of the CFTC this year is something a little over $20 million, and the dollar volume of contracts traded on the board regulated by the Commission this year may be over $3 trillion, one wonders whether or not a fraction of percent of a fee on each trade might generate enough funds for the operation of the entire CFTC. What are your thoughts about that? Do you have any preconceived notions one way or the other?

Mr. HINEMAN. Just this, Senator. That I think definitely we should very seriously take a look at this matter. I think that we may find that it is not quite a simple matter and quite like that of the SEC as one might have first anticipated because we're talking about something that is more abstract.

And even within the various contracts of futures trading there is not quite the similarity, and I am not sure that that is a big must—that it must be similar. But, again, what I am saying that there are some things that we need to look at and make sure that we are talking, comparing apples and apples and oranges and oranges, and that we know exactly what will happen. What are the likely consequences if we go this route?

But I am much interested in it, and I want to pursue it and see what we can do.

Senator COCHRAN. I notice that Senator Lugar has joined the hearing, and I know he has got business everywhere, and I will stop now and ask the Senator if you have any questions you would like to ask the nominee?

Senator LUGAR. Thank you very much, Mr. Chairman. I appreciated the opportunity, as I know other members of the committee have, to visit with you, and to try to think through your background and this nomination.

Part of it, of course, is the desire of a majority of the members of the committee, maybe all of them for all I know, to have someone who has been an agricultural producer and who might be able to interpret what is occurring in the CFTC to other producers.

For the public record, would you indicate ways in which you believe producers might become better informed, or do you believe that this is a problem of bringing the CFTC and its operations into the purview of agriculture producers in this country?

Mr. HINEMAN. I think it is a major problem Senator Lugar. And I think that the, as we mentioned here a little while ago, I think that the educational efforts of the CFTC—I mentioned there is a role here, I see, for the futures market people to play, and I don't

mean to intimate that they are not all doing some of this. They are.

I also see a role for the extension services of the universities and other places because I think marketing is an area they have not been as involved in as they should be. They have been very much up front with production, extension production information, but we need to become more involved in this.

But I think that the role for all of us in this area, particularly CFTC must be greatly expanded. As I mentioned earlier, it is not only the producer but his banker must gain a much better insight. And along with that insight, we must make sure that the stage is set so that the confidence level is there, too. I think that is the main area of where I, or a producer of agriculture, can and should direct their biggest concerns.

Senator LUGAR. As you have surely observed, Mr. Hineman, during this particular year, a number of decisions have been made by the Commission to establish a new market and new marketing arrangements. Although in the past, producers and the commodities they produced, may have been at the forefront, obviously now in terms of volume the transactions deal with other less tangible items.

Indeed, there are many more proposals that in the event of your confirmation you would survey. A basic criticism being made of the CFTC and of the whole futures business is that it may be taking on transactions and modes of transactions that do not have basic economic justification in a market system, but that have much more or an element of sheer gambling involved in them.

I ask you for your reaction to how you are going to judge whether a new proposition placed before you as a Commissioner has economic value as opposed to being a gambling device, as is sometimes alleged by critics of the Commission?

Mr. HINEMAN. Well, obviously I am going to have to rely heavily on economist staff persons and lots of others as to the economic need for that futures contract, no little bit of which, in my opinion, does it trade in sufficient volume to really project the proper indicators and stimulus that comes across in the economy, in general, and does it really reflect the market?

If we have too small a market, or we have one that is constricted by a few people, then we don't get that test of economic need, and I think that is a major role. I do not think that that is a particularly special problem. I think it is one that the Commissioners of CFTC, it would seem to me, will be dealing with all the time on every contract they have, and certainly on new contracts they need to be particularly careful that it meets that test of economic need.

This is a very important function, it seems to me.

Senator LUGAR. Some have alleged that these complex contracts from the sheer volume number of purchases involved in the transaction defy any hope of enforcement. Is it your judgment that CFTC has adequate means for policing all of the contracts that are presently out there as well as others that you might OK?

Mr. HINEMAN. That is a question I cannot answer at this time, not being that familiar with the inner working of the CFTC. But early on, I intend to visit at great lengths with every one of the department heads. That is, my first goal is to see if I can find out

what everyone of them does, and exactly how they are supposed to run, and what their duties are and so that I can, as soon as possible make judgments as to the adequacy of the CFTC efforts in those directions.

Senator LUGAR. Mr. Hineman, you have mentioned that it is not only a question of education of producers as to what CFTC does in the futures market but likewise the bankers who loan money to working farmers in the county.

Now, indeed, some have pointed out that many banks and many savings and loans would not be in trouble today if their officers had understood the futures markets, and, indeed, there have been demonstrations of how lack of management skill in that variety has contributed to the malaise in the financial markets.

If this be so, would you be in a position to explain to your banker how he would be able to use CFTC?

Mr. HINEMAN. I guess I would be presumptous to think that I could become a market expert to where I could really tell my banker all that much. That would be a switch certainly from his viewpoint, I'm sure.

But seriously, you raised another question as far as the bankers are concerned. The one I was referring to earlier is the banker's role in being a banker to that agriculture producer, and that is a problem that I have run into personally with bankers, not only the local banker but the banker in the city who handles the overline credit needs. Both of them—they just didn't like futures trading.

And I am sure that in the conduct of their own business, they have, as we producers do, a lot to learn. There is, in my opinion, the tools for risk management there that we all need to understand and learn how to use. They are not immune to the need for this additional expertise.

And I'm speaking in general. I am sure that there are many bankers who have all kinds of expertise in this area and probably use it to good extent. But I think in my part of the country, they would definitely be in a small minority.

Senator LUGAR. So you see risk management as the major economic function of the futures market? Risk management as it applies to financial industry as well as to farmers and agricultural producers.

Mr. HINEMAN. It is one of the main thrusts more so with the grains, in my opinion, than with cattle. The markets are also—they seek out the price. It's as important as the risk management. I would hesitate to say one is more important than the other. And whether we like it, those farmers who objected to it, whether they like futures markets or not, is probably not the question because they are here, and to some extent, they are the price discoverer mechanism for that grain. So if it behooves us to make sure that they work as well as they can.

Senator LUGAR. Thank you, Mr. Hineman. Mr. Chairman, I would just ask you perhaps for information. Is it anticipated there will be a vote today on this nomination or what is the committee situation?

Senator COCHRAN. Chairman Helms was here a little while ago, and said that the committee would vote as soon as we could get a quorum, but he didn't say that would be today. I get the impression

that maybe when we have a vote tomorrow on the floor of the Senate that we will try to get a quorum together to vote on the nomination at that time so we can get the nomination confirmed by the Senate before we adjourn this week.

Senator LUGAR. Thank you. I appreciate your recognizing me. I thank you for your answer, sir.

Senator COCHRAN. Thank you, Senator. Mr. Hineman, I think we have just about covered all of the subject areas of interest to the committee, and I want to thank you for being here and Mrs. Hineman for attending. I hope it didn't embarrass you to be asked to sit here at the committee table. We do appreciate your graciousness and the candid way in which you responded to all of our questions. Not all of them were easy, and I think you are to be congratulated for your appearance and the quality of responses you made to the questions that have been posed to you.

Senator Huddleston has not been able to get to the committee. He has a couple of questions here that he wanted to have put to you, and if you have no objection, rather than having them for writing, since we are going to be winding up the hearing, I think I will just put them to you in his behalf at this point.

According to the information filed with the committee relating to your business interests, you will retain your interest in a livestock production operation and a farming operation that you own in partnership with your son while serving as a Commissioner.

Additionally, in your letter to the CFTC dated December 9, 1981, you state with regard to both businesses that you personally will not use the futures market to hedge operations while Commissioner. As a matter of clarification will you tell us the extent to which either business will use the futures markets in its operations while you are a Commissioner?

Mr. HINEMAN. Neither of the businesses nor myself will use the futures market so long as I am a Commissioner. I have been told by counsel that this is the way the law is, and we are going to abide by it totally.

Senator COCHRAN. Some concern has been expressed about the agreement reached between the Securities and Exchange Commission and the CFTC on regulating contracts covering such matters as stock indexes and interest rates. To the extent you are familiar with the matter, could you describe briefly what has been agreed to and tell us whether you believe that there is a basis for any concern?

Mr. HINEMAN. Would you mind reading that question once more?

Senator COCHRAN. Some concern has been expressed about the agreement reached by the Securities and Exchange Commission and the CFTC on regulating contracts covering such matters as stock indexes and interest rates. To the extent you are familiar with this matter, could you describe briefly what has been agreed to and tell us whether you believe that there is a basis for any concern?

Mr. HINEMAN. Mr. Chairman, I do not feel the level of confidence in this matter really to give that kind of an opinion. Most of what I have to say would be in the nature of hearsay and what I read in the newspaper recently, and I don't believe that is a sufficient answer.

88-984 O—82——3

Senator COCHRAN. Thank you. If your nomination is approved and reported out of committee and confirmed by the Senate, can you assure us of your willingness to respond to requests to appear and testify before this committee or any other duly constituted committee of the Senate?

Mr. HINEMAN. Yes, sir.

Senator COCHRAN. If you are confirmed by the Senate, will you faithfully execute the laws passed by Congress regardless of any previous statement you have made or biases you may have held?

Mr. HINEMAN. Yes, sir.

Senator COCHRAN. Mr. Hineman, thank you very much, again, for your appearance before the committee, and I congratulate you on your nomination.

Mr. HINEMAN. Thank you, sir.

Senator COCHRAN. The hearing is adjourned.

[Whereupon, at 3:20 p.m., the committee adjourned, subject to call of the Chair.]

APPENDIX

STATEMENT OF HON. BOB DOLE, A U.S. SENATOR FROM KANSAS

Mr. Chairman, It is my distinct pleasure to recommend to the committee, Mr. Kalo Hineman, the President's Nominee as a member of the Commodity Futures Trading Commission.

I am convinced that, after reviewing Mr. Hineman's background and qualifications for this important appointment, the committee will endorse his selection as a strong voice for agriculture in the regulation and oversight of our commodity marketing system.

Mr. Chairman, I have known Mr. Hineman personally for many years, both in his profession as a successful farmer-stockman in western Kansas and as a forceful advocate of market-oriented agriculture.

A native of Dighton, Kansas, he earned a degree in veterinary medicine from Kansas State University and served as captain in the army's veterinary corps during the Second World War. He returned to the family farm in 1947, and his livelihood has been dependent on the success of his farming and ranching activities for the past 34 years.

Mr. Hineman currently farms 2,500 acres of wheat and milo and raises cattle on an additional 2,500 acres in Lane County.

In the course of his personal involvement in American agriculture, Mr. Hineman has also contributed to efforts to obtain greater representation for farmers in local, State and National decisionmaking.

He served on the board of directors of the National Cattleman's Association in 1971/72 and as president of the Kansas Livestock Association in 1972.

He has been a member of both the State and National Farm Bureau and Wheat Growers for many years, and was a member of the board of directors of "Cattle Fax", a market information service, in 1973/74.

In addition, Mr. Hineman has represented the 117th district with distinction in the Kansas House of Representatives since 1974.

Mr. Chairman, considering our efforts over the past several years to obtain representation for "hands-on" farmers in concerned Government agencies, I am particularly pleased that we can consider a candidate, of Mr. Hineman's background and calibre today.

He has a practical understanding of the influence of commodity markets on farm income that will complement the contributions of his fellow Commissioners on the CFTC.

He will bring an essential perspective to CFTC deliberations on the regulation and oversight of commodity exchange operations.

Finally, Mr. Chairman, Mr. Hineman is in a position to promote greater understanding and use of our free market system among American farmers and ranchers.

I wholeheartedly support the President's selection of Mr. Hineman to serve on the CFTC. I am convinced that, if confirmed, he will fully justify the trust and expectations of this committee and of the Senate.

NATIONAL CATTLEMEN'S ASSOCIATION,
Denver, Colo., December 14, 1981.

Hon. JESSE HELMS,
Chairman, Senate Agriculture, Nutrition and Forestry Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: Today, the Senate Committee on Agriculture, Nutrition and Forestry will conduct a hearing on the nomination of Kalo Hineman to fill the open seat on the Commodity Futures Trading Commission.

The National Cattlemen's Association strongly supports Mr. Hineman and recommends the Committee endorse his nomination and support his approval by the Senate.

Agriculture will be served well by Kalo Hineman. He is highly qualified for this post; he understands commodity trading; he is a rancher who grows wheat, milo and cattle; he is active in civic affairs and has served as a member of the Kansas House of Representatives since 1974.

The cattle industry respectfully urges his favorable consideration.

Yours truly,

J. W. SWAN,
President.

RÉSUMÉ OF KALO A. HINEMAN

Personal

Home and Business Address: 145 South 2nd, Dighton, Kansas 67839.
Age: 59.
Birthdate: March 4, 1922.
Birthplace: Dighton, Kansas.
Marital Status: Married (Geneva L. Hineman).
Race: Caucasian.
Height: 5'9".
Weight: 175 lbs.
Health: Good.
Religion: Methodist.
Social Security: 514-26-1052.

Occupation

Farmer-Stockman.—1947—returned from military service to the family farm. Since then my occupation has been the operation of this farm. In 1973 my son Don joined in farming with me, and is presently a full partner in the farming operation where we farm about 2500 acres of dryland summer fallow wheat and milo. My son is also an equal shareholder with me in our cattle business, K. Hineman Co., where we own over 200 mother cows and also buy, graze and sell stocker calves and yearlings on 2500 acres of native pasture land. Some of these cattle we maintain ownership of through the fattening period in a commercial feedlot.

Marketing experience

Direct sales of farm raised grains and cattle; Cash forward sale contracts of cattle which I owned; Intermittent use of the futures market to hedge owned cattle; Indirect use of the futures markets in forward contracting of grain through the local coop elevator; Service in 1974 and 1975 as a member of the Board of Directors of Cattle Fax, a Denver based cattle market information service for members.

Business and financial interests

Owner, Kalo Hineman Farm, Dighton; Partner, Hineman Brothers (farming); President and stockholder, K. Hineman Company (cattle), Dighton; Stockholder, Lane County Feeders; a commercial feedlot, Dighton; Director and Stockholder (since 1955), First National Bank, Dighton.

Political career

Member Kansas House of Representatives, 1974 to date.

Kansas House of Representatives committee assignments

Member, Assessment and Taxation; member, Education; member, Governmental Organization; member, 1202 Commission (Post Secondary Educational Planning).

Education

Doctor of Veterinary Medicine—Kansas State University, 1943.

Military

Served 3 years in Army Veterinary Corps, attaining rank of Captain 1943–1946. Six months of this service time was with The Office of Strategic Services (OSS) including a tour of duty in the CBI Theater of operations.

Business and professional organizations

President—Kansas Livestock Association, 1972; an association of 8,000 Kansas livestock producers; member, Farm Bureau; member, Kansas Association of Wheat-

growers; member, Kansas Livestock Association; member, National Cattlemens Association.

OFFICE OF PERSONNEL MANAGEMENT,
Washington, D.C., December 11, 1981.

Hon. JESSE A. HELMS,
Chairman, Committee on Agriculture, Nutrition, and Forestry,
Washington, D.C.

DEAR MR. CHAIRMAN: In accordance with the Ethics in Government Act of 1978, I enclose a copy of the finanical disclosure report filed by Kalo A. Hineman, who has been nominated by President Reagan for the position of Commissioner of the Commodity Futures Trading Commission (CFTC).

We have reviewed the report and have also obtained advice from CFTC concerning any possible conflict in light of the Commission's functions and the nominee's proposed duties. We concur in the various steps taken by CFTC with respect to Mr. Hineman's interests in farm and cattle operations, banks and cooperatives, as shown in its letter to us dated December 10, 1981, a copy of which I enclose. In addition, Mr. Hineman has agreed to recuse himself in the event any particular matter involving any of these firms should arise during his tenure. Mr. Hineman has been advised of the limitation on outside earned income contained in section 210 of the Ethics in Government Act.

Based on the foregoing, we believe that Mr. Hineman is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

J. JACKSON WALTER,
Director.

COMMODITY FUTURES TRADING COMMISSION,
Washington, D.C., December 10, 1981.

J. JACKSON WALTER,
Director, Office of Government Ethics, Office of Personnel Management,
Washington, D.C.

DEAR MR. WALTER: In accordance with Section 203(c) of the Ethics in Government Act and Section 734.602(c) of your Office's regulations, please find enclosed a copy of the initial financial disclosure report (Standard Form 278) filed on December 7, 1981 by Mr. Kalo A. Hineman. I understand that Mr. Hineman is under consideration by the President for nomination to the position of Commissioner of the Commodity Futures Trading Commission. The Senate Committee on Agriculture, Nutrition, and Forestry will be considering Mr. Hineman's nomination.

This Office has reviewed the information contained in the enclosed report. With respect to Mr. Hineman's own farm and cattle operation, Commission clearance has been obtained in accordance to Section 9(d) of the Commodity Exchange Act, 7 U.S.C. § 13(d), and Section 140.735-4(b)(2), footnote 3 of the Commission's Code of Conduct, 17 C.F.R. § 140.735-4(b)(2), footnote 3. See the enclosed letters. Mr. Hineman has interests in various other firms only one of which, Garden City Coop., Inc., Garden City, Kansas, has filed reports with the Commission.[1] Although not required by law to do so, I recommend that in order to avoid even the appearance of a conflict Mr. Hineman place in a trust during his tenure as a Commissioner his interests in the First National Bank, Dighton, Kansas and Lane County Feeders, Dighton, Kansas. Since it is my understanding that there may well be some legal impediment to the transfer to a trust of his interests in Farmers Coop. Oil & Supply Co., Dighton, Kansas; Beeler Cooperative Exchange, Beeler, Kansas; Farmers Coop. Elevator, Dighton, Kansas; Garden City Coop., Inc., Garden City, Kansas; and the Federal Land Bank, Ness City, Kansas, I recommend that instead he agree during his tenure as Commissioner not to vote his stock therein, in person or by proxy, and not otherwise to participate in decisions as to those firms.[2] Mr. Hineman has informed me that he is willing to do so if he is nominated and confirmed as a Commissioner.

---

[1] I have determined that Mr. Hineman's interest in that firm is insignificant for purposes of the Commission's Code of Conduct, since it is not more than $5,000 in amount and represents less than 1% of the voting stock. See Section 140.735-4(b)(4), of the Code of Conduct, 17 CFR § 140.735-4(b)(4). Therefore, his ownership of stock in that firm does not constitute a conflict of interest.

[2] It is my understanding that Mr. Hineman has already sold his interest in Number 9 Cattle Co., Dighton, Kansas, although the sale is still being processed. Furthermore, I do not believe that his interest in Hineman Bros. & Townsend, Dighton, Kansas presents any conflict.

In addition, I recommend that Mr. Hineman resign from his positions (as listed on page 8 of his SF 278) as: a Representative with the Kansas State Legislature; President of K. Hineman Co., Dighton, Kansas (it is my understanding that he has already resigned from that position); a Director of Number 9 Cattle Co., Dighton, Kansas, (the stock in which he has now sold—see footnote 2); and a Director of the First National Bank, Dighton, Kansas. Mr. Hineman has informed me that he is willing to resign from all of those positions if nominated and confirmed as a Commissioner. With the Commission's clearance of Mr. Hineman's interest in his farming and cattle operations and subject to his compliance with the above recommendations, I have determined that Mr. Hineman's report presents no conflict of interest under the Commission's Code of Conduct, 17 C.F.R. § 140.735-1, *et seq.* or the Commodity Exchange Act, 7 U.S.C. § 1, *et seq.*

Sincerely,

DENNIS A. DUTTERER,
General Counsel and Designated Agency Ethics Official.

COMMODITY FUTURES TRADING COMMISSION,
Washington, D.C., December 9, 1981.

KALO A. HINEMAN,
145 South 2nd,
Dighton, Kans.

DEAR MR. HINEMAN. This is to inform you that the Commission has granted clearance for your interest in your farming and cattle operations as detailed in your letter dated December 9, 1981. Please note that you may not hedge in the futures market in connection therewith.

Sincerely,

DENNIS A. DUTTERER,
General Counsel.

DIGHTON, KANS., *December 9, 1981.*

DENNIS A. DUTTERER,
General Counsel, Commodity Futures Trading Commission, Washington, D.C.

DEAR MR. DUTTERER: This is to request Commission clearance for farming and cattle operations which I own in Kansas. My farm consists of 2,720 areas of agricultural land in Lane County, Kansas, of which I am the sole owner of 2,400 acres and 320 acres of which I jointly own with my wife, Geneva Hineman. Hineman Partners, in which I am a 50 percent partner and my son, Donald J. Hineman, is a 50 percent partner and which operates my farm, also rents an additional 320 acres of farm land which is owned by my sister. The primary crops grown on the farm are wheat and milo. The grassland on my farm is cash leased to K. Hineman Co. for pasture.[1] The annual crop production consists of approximately 15,000 to 45,000 bushels of wheat and 0 to 20,000 bushels of milo. These crops are sold to local grain elevators and feed lots mostly by spot cash and sometimes by forward cash contracts. On assumption of office as Commissioner of the Commodity Futures Trading Commission, my son would assume complete management of the farming operations, although from time to time he might consult with me with respect to particular decisions. However, I will continue to receive a landlord's share of the crop with respect to my farm land and my 50 percent share of Hineman Partners' tenant's share of the crop produced on my farm land, as well as on my sister's farm land which Hineman Partners also manages. We have not hedged in the futures market with respect to the farm nor do we presently intend to do so. Moreover, during my tenure as a Commissioner, I will not use the futures market to hedge the farm operation.

I also conduct a cattle operation along with my son doing business as the K. Hineman Co., Dighton, Kansas. I own 50 percent of the stock of K. Hineman Co. and my son owns the other 50 percent of the stock. In that operation, we both raise and purchase live cattle which are then grown on pastures on my farm and may be sold at that time or may be fattened in a commercial feed lot and sold to a packer. In addition, 1,600 acres of grassland leased by K. Hineman Co. is included in this operation. Each year we produce, grow, fatten and sell between 400 and 1,000 head of cattle. We own the cattle involved for a period exceeding three months. Once I assume office, my son will conduct the primary management responsibilities with respect to this operation, although I may be consulted from time to time with re-

---

[1] See paragraph two of this letter for a discussion of K. Hineman Co.
I would also note that another partnership of which I am a member, Hineman Bros. & Townsend (owned with my brothers and sister), also leases out the several mineral interests which it owns.

spect to certain decisions. However, I will continue to own my 50 percent stock interest in K. Hineman Co. and to receive my share of the income of the cattle operation. We have not used the futures market to hedge the cattle operation nor do we presently intend to do so. Furthermore, during my tenure as a Commissioner, I will not use the futures market to hedge this operation.

Upon assuming office as a Commissioner, I will avoid participating in official capacity in any particular matters directly involving my farming or cattle operations. I hereby request Commission clearance for my continued interest in the agricultural commodity and livestock transactions in connection with my farming and cattle operations.

Sincerely,

KALO A. HINEMAN.

SF 278 (Rev. 1/81)
FPM Chapter 735
U.S. Office of Personnel Management

FINANCIAL

Reporting Status (Check Appropriate Box)			
☐ Incumbent	☒ X New Entrant, Nominee or Candidate	☐ Termination Report	All s... acru...

Reporting Individual's Name	Last Name: HINEMAN	First N... K...
Position for Which Filing	Title of Position: Commissioner	Depar... Compo...
Location of Present Office	Address (Number, Street, City, State and Zip Code): 145 South 2nd., Dighton, Kansas 67839	

Presidential Nominees Subject to Senate Confirmation	Name of Congressional Committee Considering Nomination: Senate Agriculture, Nutrition, and Forestr...

Positions Held With the Federal Government During the Preceding 12 Months (If Not Same as Above)	Title of Position(s) and Date(s) Held: NONE

Certification: I CERTIFY that the statements I have made on the form and all attached schedules are true, complete and correct to the best of my knowledge and belief.	Signature of Reporting Individual: Kathleen A. Hineman

Agency Ethics Official's Opinion: The information contained in this report discloses no conflict of interest under applicable laws and regulations.	Signature of Designated Agency Ethics Official Reviewing Offic... Donna A Dutton
Office of Government Ethics Use Only	Signature: Dutton Walter MBS 12/10/81

Comments of Reviewing Officials (If additional space is required, use the reverse side of this sheet)

Note: by following Commission procedure established pursu... issues arising under 18 U.S.C. § 208 & Exec. Order 11222 with ... of actual commodities are resolved MBS 12/10/81

DISCLOSURE REPORT

Form Approved
OMB No. 3209-0001

(1)

NOTE
Schedules must be filed. Enter "None" in areas or schedules where appropriate.

Agency Use Only	OGE Use Only
Date of Filing (Month, Day, Year) 12/7/81 W.E.H.	

Name and Middle Initial

D. A.

Department or Agency (If Applicable)

Commodity Futures Trading Commission

Date of Appointment, Candidacy, Election or Nomination (Mo., Day, Yr.)	Termination Date (If Applicable) (Month, Day, Year)
Room Number	Telephone No. (Include Area Code)
None	(316) 387-5589

Position

Committee

Do You Intend to Create a Qualified Diversified Trust?

☐ Yes ☒ No

If such a trust is feasible and deemed necessary

Date (Month, Day, Year)

April 24, 1981

Date (Month, Day, Year)

12-9-81

Date (Month, Day, Year)

12-11-81

...ct to 7 U.S.C. §13(d),
...ipt to community

(Check box if comments are continued on the reverse side)

Ref. [illegible] Financial Disclosure Report [illegible]
(Rev. 1/80)

	Yes	No
Do you, your spouse, or dependent child receive income from, or have a beneficial interest in a trust?		
If "yes", have you reported the income from the trust?		
If "yes", have you reported the assets of the trust?		
If "yes", is this trust an "excepted" trust?		

or "qualified" trust?

Schedule (Sch.) or Dependent Child (DC)	Identification	Dividends	Rent	Interest	
	1980				
	Sale of Cattle - 1980 - Live cattle purchased by Kalo Hineman, Fattened in a commercial feedlot, and sold to packer.				
	Sale of Grain - 1980 - Grain received as a landlord's share of crop.				
	Oil Leases on 2,720 Acres Owned (See Page 4)		X		
	First National Bank, Dighton, Kansas				
	Donald J. Hineman - Installment Sale Contract			X	
	Installment Sale Gain 129 Shares of Hineman Co. Stock				X
	Farm Pasture Rent - Lane County, Kansas (See Page 4)		X		
	First National Bank, Dighton, Kansas	X			
	Hineman Bros. & Townsend-Dighton, KS				

ICOME AND INTERESTS IN PROPERTY

schedule is applicable in the case of all reporting individuals

If there are any interests in property, purchases, sales, or exchanges, or liabilities of a spouse or dependent child which you have not reported but which would be reportable, but for the following:

1. They represent solely your spouse's or dependent child's financial interest or responsibility;
2. They are not, in any way past or present, derived from your income, assets, or activities;
3. You neither derive, nor expect to derive, any financial or economic benefit from them; and
4. You do not have knowledge as to the composition of such interests or liabilities.

Do you certify to all of the above? N/A - Not Applicable — Yes / No

Page Number	2	Schedule A

Reporting Individual's Name: Kalo A. Hineman

Agency Use Only

Date of Filing (Month, Day, Year)

Income															Interests in Property								
of Income (✓)				Category of Amount or Value (✓)											Valuation of Assets (✓)								
Exempt	Trust	Dividend, Trust	Other (Specify)	None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000	Actual Amount Only if "Other" Specified	Date (Mo. Day. Yr.) Only if Honoraria	Valuation Method	$1,000 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000
			Farming Income										114,053										
			Farming Income										52,998										
						X																	
			Bank Director FEES				X						2,600										
					X																		
						X																	
						X																	
					X																		
Income			Partnership Distributions		X		Undivided non producing mineral leases in Lane, Logan, Gove and Ness Counties, Kansas, Inherited From our Father's Estate						(4)			X								

United States of America
Office of Government Ethics

Office of Personnel Management
Washington, D.C. 20415

FEB 23 1982

Honorable Jesse A. Helms
Chairman, Committee on Agriculture,
Nutrition, and Forestry
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

By letter dated December 11, 1981, we sent you a copy of the financial disclosure report filed by Kalo A. Hineman, who had been nominated by President Reagan for the position of Commissioner of the Commodity Futures Trading Commission (CFTC). We informed you that we had reviewed his report and found it to be in compliance with applicable laws and regulations governing conflicts of interest.

Some weeks later Commissioner Hineman filed an addendum to his financial disclosure report, setting forth his salary and pension with the Kansas State Legislature which he had not listed previously under the mistaken notion that it was not necessary to report moneys received from state agencies. We are enclosing for inclusion in the financial disclosure report of Commissioner Hineman amendments to his schedules A and D. This additional material does not in any way change our earlier opinion that Mr. Hineman is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

J. Jackson Walter
Director

Enclosure

Form 1041

INCOME A

This schedule is

	Yes	No
Do you, your spouse, or dependent child receive income from, or have a beneficial interest in a trust?		X
If "yes", have you reported the income from the trust?		
If "yes", have you reported the assets of the trust?		
If "yes", is this trust an "excepted" trust?		
or "qualified" trust?		

If th
bus
whi
1.
2.
3.
4

Spouse (S) or Dependent Child (DC)	Identification	Type of Income (						
		Dividends	Rents	Interest	Capital Gains	Estate or Trust	Qualified Trust	
	Hineman Partners, Dighton, Kansas					Income		
	School Activities - Hanston High School Hanston, Kansas							
	J. F. Smid Estate - Garden City, KS							
	First National Bank, Dighton, Kansas			X				
	Veterans Administration - National Service Life Insurance - Interest on Insurance Dividends			X				
	Equitable Life Insurance			X				
	Patronage Dividends - See Listing Pages 4 & 5	X						

D INTERESTS IN PROPERTY

plicable in the case of all reporting individuals

are any interests in property, purchases, sales, or exchanges, or liof a spouse or dependent child which you have not reported but would be reportable, but for the following:
represent solely your spouse's or dependent child's financial inst or responsibility;
are not, in any way past or present, derived from your income, ts, or activities;
neither derive, nor expect to derive, any financial or economic benefrom them; and
do not have knowledge as to the composition of such interests or ities.

	Yes	No
ou certify to all of the above? N/A = Not Applicable		

Page Number	2A	Schedule A

Reporting Individual's Name

Kalo A. Hineman

Agency Use Only

Date of Filing (Month, Day, Year)

	Income													Interests in Property								
	Category of Amount or Value ( )													Valuation of Assets ( )								
Other (Specify)	None or $0-$200	$201-$1,000	$1,001-$2,500	$2,501-$5,000	$5,001-$15,000	$15,001-$50,000	$50,001-$100,000	$100,001-$1,000,000	Over $1,000,000	Actual Amount Only if "Other" Specified	Date (Mo., Day, Yr.) Only if Honoraria	Valuation Unknown	None	$1,001-$15,000	$15,001-$50,000	$50,001-$100,000	$100,001-$250,000	$250,001-$500,000	$500,001-$1,000,000	Over $1,000,000
rtnership trib.			X							A Farming Partnership with son which farms land shown on page 4											
										8,753											
aker es										125	5-21-80										
raisal es										100											
	X																				
	X																				
		X																			
			X																		

Sch. 218-Kansas (Nonresident or Part-Year Resident) (1981)

INCOME
This schedule

	Yes	No
Do you, your spouse, or dependent child receive income from, or have a beneficial interest in a trust?		X
If "yes", have you reported the income from the trust?		
If "yes", have you reported the assets of the trust?		
If "yes", is this trust an "excepted" trust?		
or "qualified" trust?		

Source (ID of Dependent Child IDC)	Identification	Type of Income						
	1981	Dividends	Rent	Interest	Capital Gains	Excepted Trust	Qualified	
	Sale of Cattle - 1981 - Five Cattle Purchased by Kalo Hineman, Fattened in a Commercial Feedlot, and Sold to a Packer.							
	Sale of Grain - 1981 - Grain received as a Landlord's Share of Crop							
	Commodity Credit Corporation							
	Commodity Credit Corporation							
	Oil Leases - 2,720 Acres Owned (See Page 4)		X					
	First National Bank, Dighton, Kansas							
	Donald J. Hineman - Installment Sale Contract			X				
	Installment Sale Gain 129 Shares of Hineman Co. Stock				X			
	E. Hineman - Dighton, Kansas - Loan			X				

ND INTERESTS IN PROPERTY

pplicable in the case of all reporting individuals

e are any interests in property (purchase, sales, or exchanges, or in-
s of a spouse or dependent child which you have not reported but
would be reportable, but for the following:
ey represent solely your spouse's or dependent child's financial in-
est or responsibility;
cy are not, in any way past or present, derived from your income,
sets, or activities;
u neither derive, nor expect to derive, any financial or economic bene-
from them; and
u do not have knowledge as to the composition of such interests or
ilities.

	Yes	No
you certify to all of the above? N/A - Not Applicable		

Page Number	3	Schedule A
Reporting Individual's Name: Kale A. Hineman		
Agency Use Only		
Date of Filing (Month, Day, Year)		

Income											Interests In Property							
	Category of Amount or Value (ب)										Valuation of Assets (ب)							
Other (Specify)	None or Not Applicable	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $1,000,000	Over $1,000,000	Actual Amount Only if "Other" Specified	Date (Mo., Day, Yr.) Only if Honoraria	Valuation Method	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $500,000	$500,001 - $1,000,000	$1,000,001 - $5,000,000	Over $5,000,000
rming come									12,865									
rming come									42,666									
riculture ogram Pmt.									1,189									
riculture saster Pmt.									6,847						X			
			X															
nk Dir- tor Fee				X														
		X																
			X															
	X																	

	Yes	No
Did you, your spouse, or dependent child receive income from, or have a beneficial interest in a trust?		X
If "yes", have you reported the income from the trust?		
If "yes", have you reported the assets of the trust?		
If "yes", is this trust an "excepted" trust?		
or "qualified" trust?		

Identification	Dividends	Rents	Interest	Capital Gains	Exempted Trust	Qualified Trust
Equitable Life Insurance	X					
Farm Pasture						
Patronage Dividend						
Sole Ownership of 2400 Acres and 320 Acres Owned by Spouse, Geneva Hineman, of Agricultural Land in Lane County Kansas						
K. Hineman Co. Dighton, Kansas Cattle Co. (50% of Stock)						
Lane County Feeders (4% of the Stock) (Commercial Cattle Feed Lot) Dighton, Kansas						
Number 9 Cattle Co. (1/9 of Stock) (Cattle Feeding Co.) Dighton, Kansas						
First National Bank, Dighton, Kansas (20 Shares)						
Hineman Partners, Dighton, Kansas (2 Equal Partners) (Farming)						

INTERESTS IN PROPERTY

icable in the case of all reporting individuals

re any interests in property, purchases, sales, or exchanges, or li-
of a spouse or dependent child which you have not reported but
ould be reportable, but for the following:
represent solely your spouse's or dependent child's financial in-
or responsibility;
ars not, in any way past or present, derived from your income,
s, or activities;
either derive, nor expect to derive, any financial or economic bene-
m them; and
o not have knowledge as to the composition of such interests or
ties.

	Yes	No
u certify to all of the above? N/A - Not Applicable		

Page Number	4	Schedule A

Reporting Individual's Name: Kalo A. Hineman

Agency Use Only

Date of Filing (Month, Day, Year)

	Income											Interests in Property							
	Category of Amount or Value (✓)											Valuation of Assets (✓)							
	None (or less than $201)	$201 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	Over $100,000	Actual Amount (Only if "Other" Specified)	Date (Mo., Day, Yr.) (Only if Honoraria)		Valuation Method	$1,000 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	Over $250,000	
m. lend					X														
									Not Received At This Date										
									Not Received At This Date										
									Income Included with Amounts Reported			A							X
												F				X			
												E				X			
sold)												E			X				
												E				X			
												F			X				

Rev. 7-80

INCOME AND INTERESTS IN PROPERTY

This schedule is applicable in the case of all reporting individuals

	Yes	No
A Do you, your spouse, or dependent child receive income from, or have a beneficial interest in a trust?		X
If "yes," have you reported the income from the trust?		
If "yes," have you reported the assets of the trust?		
If "yes," is this trust an "excepted" trust?		
or "qualified" trust?		

If there are any interests in property, purchases, sales, or exchanges, or liabilities of a spouse or dependent child which you have not reported but which would be reportable, but for the following:

1. They represent solely your spouse's or dependent child's financial interest or responsibility;
2. They are not, in any way past or present, derived from your income, assets, or activities;
3. You neither derive, nor expect to derive, any financial or economic benefit from them; and
4. You do not have knowledge as to the composition of such interests or liabilities.

Do you certify to all of the above? N/A - Not Applicable

Yes	No

Page Number 5 | Schedule A

Reporting Individual's Name: Kalo A. Hineman

Agency Use Only

Date of Filing (Month, Day, Year)

Source of Other Payment Code (OPC) / Identification	Income: Type of Income (✓) Dividends	Rent	Interest	Capital Gains	Excepted Trust	Qualified Trust	Other (Specify)	Income: Category of Amount or Value (✓) None (or less than $201)	$201-$1,000	$1,001-$2,500	$2,501-$5,000	$5,001-$15,000	$15,001-$50,000	$50,001-$100,000	Over $100,000	Actual Amount Only if "Other" Specified	Date (Mo., Day, Yr.) Only if Honoraria	Interests in Property: Valuation of Assets (✓) Valuation Method	$1,000-$15,000	$15,001-$50,000	$50,001-$100,000	$100,001-$250,000	Over $250,000
Hineman Bros. & Townsend, Dighton, KS (Partnership holding family mineral interests.)																		A	X				
Farmers Coop Oil & Supply Co. Stock (Retail Coop) Dighton, Kansas																		E	X				
Beeler Cooperative Exchange (Retail and Grain Coop) Beeler, Kansas																253		E					
Farmers Coop Elevator, Dighton, KS																		E		X			
Garden City Coop, Inc. (Elevator Coop) Garden City, Kansas																		E	X	X			
Federal Land Bank Stock (Non Negotiable non dividend stock - Loan #3212856)																		E	X				
Federal Land Bank Stock (Non Negotiable non dividend stock - Loan #1590264)																750		E					
Keough Plan (Keystone S-4 Fund)																		H				X	

Rev. 7/80

INCOME AND INTERESTS IN PROPERTY

This schedule is applicable in the case of all reporting individuals

	Yes	No
Do you, your spouse, or dependent child receive income from, or have a beneficial interest in a trust?		
If "yes", have you reported the income from the trust?		
If "yes", have you reported the assets of the trust?		
If "yes", is this trust an "excepted" trust? ... or "qualified" trust?		

If there are any interests in property, purchases, sales, or exchanges, or liabilities of a spouse or dependent child which you have not reported but which would be reportable, but for the following:

1. They represent solely your spouse's or dependent child's financial interest or responsibility.
2. They are not in any way past or present, derived from your income, assets, or activities.
3. You neither derive, nor expect to derive, any financial or economic benefit from them; and
4. You do not have knowledge as to the composition of such interests or liabilities.

Do you certify to all of the above? Yes ☐ No ☐

Page Number ____ Schedule A

Reporting Individual's Name: Kilo A. Hirlenda

Agency Use Only

Date of Filing (Month, Day, Year): 12/28/81 W.E.A.

Identification (Spouse (SP) or Dependent Child (DC))	Income: Type of Income (✓)							Income: Category of Amount or Value (✓)									Interests in Property: Valuation of Assets (✓)							
	Dividends	Rent	Interest	Capital Gains	Excepted Trust	Qualified Trust	Other (Specify)	None (or less than $101)	$101 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	Over $100,000	Actual Amount Only if "Other" Specified	Date (Mo., Day, Yr.) Only if Honoraria	Valuation Method	$1,000 - $3,000	$3,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	Over $250,000
Kansas State Legislature							Legislative Pay									1980 $6052.80								
" " "							Legislative Subsistance									1981 $4561.00								
" " "							Legislative Travel									1980 $8616.00								
State Capitol Topeka Kans.																1981 $9188.00								
Kansas Public Employees Retirement System (KPERS) First National Bank Tower Topeka, Kansas																1980 $1231.76								
																1981 $1233.80								

(Rev. 1980)

This schedule is required from the following persons if applicable in the case of all reporting individuals:

Reporting Individual's Name: [illegible]

Agency Use Only
Date of Filing (Month, Day, Year): 12/28/81 WE.6.

Page Number ►

Schedule D

LIABILITIES

S or DC	Name and Address of Creditor	Type of Liability (e.g., promissory note, margin account) Give date, interest rate and, if applicable, term	Category of Amount or Value (✓) $10,001 to $15,000	$15,001 to $50,000	$50,001 to $100,000	$100,001 to $250,000	Over $250,000

POSITIONS HELD

Name and Address of Organization	Type of Organization	Position Held	From (Mo., Yr.)	To (Mo., Yr.)

COMPENSATION IN EXCESS OF $5,000 PAID BY ONE SOURCE

This section is applicable only in the case of nominees and new entrants.

Source (Name and Address)	Brief Description of Duties
Kansas State Legislature State Capitol Topeka Kans.	Representative 117th District. Resigned Dec. 18, 1981

RELATIONS WITH OTHER EMPLOYERS

Description of Terms of Any Agreement or Arrangement	Parties	Date (Mo., Day, Yr.)
(KPERS) Kansas Public Employees Retirement System. Retirement Benefits For Legislative Service First National Bank Tower Topeka Kansas.	State of Kansas	Legislative Service 1975, 1976, 1977, 1978, 1979, 1980 & 1981

I. PURCHASES, SALE

This schedule is applicable only in th

Report Applicable Transactions, Even If Also Reported on Schedule A

S or DC	Identification of Property (real and personal)	Pur
	N/A = Not Applicable	

AND EXCHANGES

ase of annual and termination reports.

Page Number	6	Schedule B

Reporting Individual's Name
Kalo A. Hineman

Agency Use Only

Date of Filing (Month, Day, Year)

e of Transaction			Date (Month, Day, Year)		Category of Amount or Value ( )					
se	Sale	Exchange	Purchase	Sale or Exchange	$1,001 to $5,000	$5,001 to $15,000	$15,001 to $50,000	$50,001 to $100,000	$100,001 to $250,000	Over $250,000

GIFTS AND R

This schedule is applicable only in t

I. Lodging, Transportation, Food and Entertainment—*List each source totaling $250 or more in value*

S or DC	Source (Name and Address)	
	N/A = Not Applicable	

II—All Other Gifts—*List each source totaling $100 or more in value*

S or DC	Source (Name and Address)	
	N/A = Not Applicable	

III. Reimbursements—*List each source totaling $250 or more in value*

S	Source (Name and Address)	
	N/A = NotApplicable	

IMBURSEMENTS

case of annual and termination reports.

Page Number	7	Schedule C
Reporting Individual's Name: Kalo A. Hineman		
Agency Use Only		
Date of Filing (Month, Day, Year)		

Brief Description	Value

Brief Description	Value

Brief Description	Value

SF 275—Financial Disclosure Report
Rev. 7/80

This schedule, except as noted for the third section, is applicable in the case of all reporting individuals.

LIABILITIES

S or DC	Name and Address of Creditor
	Federal Land Bank, Ness City, Kansas
	Federal Land Bank, Ness City, Kansas
	First National Bank, Dighton, Kansas 67839

POSITIONS HELD

Name and Address of Organization
Kansas Legislature, Topeka, Kansas 66612
K. Hineman Co. Dighton, Kansas 67839
#9 Cattle Co. Dighton, Kansas 67839
First National Bank, Dighton, Kansas 67839
Hineman Partners, Dighton, Kansas 67839
Hineman Bros. & Townsend, Dighton, Kansas 67839

COMPENSATION IN EXCESS OF $5,000 PAID BY ONE SOURCE This sectio

Source (Name and Address)
K. Hineman Co. Dighton, Kansas 67839

RELATIONS WITH OTHER EMPLOYERS

Description of Terms of Any Agreement or Arrangemen
$50,000 Life Insurance Policy premiums paid by K. Hineman
insured. Policy is owned by and the beneficiary is the H
Irrevocable Trust.
Keough Plan (Keystone S-4 Fund) Self Employed Retirement

Reporting Individual's Name	Agency Use Only	Page Number		Schedule
Kalo A. Hineman	Date of Filing (Month, Day, Year)		8	D

Type of Liability (e.g., promissory note, margin account) Give date, interest rate and, if applicable, term	Category of Amount or Value ($)				
	$10,001 to $15,000	$15,001 to $50,000	$50,001 to $100,000	$100,001 to $250,000	Over $250,000
33 Years					
romissory Note-Loan #321285-6 Oct. 1964 Rate 5 1/4%	14,549				
romissory Note-Loan #159026-4 1956 Rate 4% 33 Years	3,877				
romissory Notes (See attached Liability Ledger copy for 1980 and 1981 to Sept. 11)					

Type of Organization	Position Held	From (Mo., Yr.)	To (Mo., Yr.)
State Legislature	Representative	Jan 1975	Present
ttle Company	President	Jan. 1, 1979	Sept. 24, 1981
ttle Feeding Co.	Director	Jan. 1, 1979	Sept. 24, 1981
nking	Director	Jan. 1, 1979	Sept. 24, 1981
rming	Equal Partner	Jan. 1, 1979	Sept. 24, 1981
neral Interests	Equal Partner	Jan. 1, 1979	Sept. 24, 1981

s applicable only in the case of nominees and new entrants.

Brief Description of Duties
sisting with management and cattle care

	Parties	Date (Mo., Day, Yr.)
o. Kalo Hineman is the	K. Hineman Co., Dighton, Kansas 67839	Continuing
eman Childrens'	Kansas City Life Insurance Company	Aug. 1 Since 1975
nd	Keystone Custodian Funds, Inc.	Since June 20, 1968